

GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DIRECTORATE OF EDUCATION
(PRIVATE SCHOOL BRANCH)
OLD SECRETARIAT, DELHI-110054

No. F.DE.15 (156)/PSB/2021/ 2993-97
Order

Dated: 16/08/21

WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as '**the Act**') with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '**the Rules**').

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27....

(c) *It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...*

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.....

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit their proposals, if any, for prior sanction for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **Delhi Public School, Vasant Vihar, New Delhi (School Id: 1719111)** had submitted the proposal for fee increase for the academic session **2018-19**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the said school for the academic session **2018-19**.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-19, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 01.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.DE.15(117)/PSB/2019/1882-1886 dated 22.02.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants and the key findings noted are as under:



A. Financial Discrepancies

- I. The Order No. F.DE-15/Act-I/WPC-4109/Part/13/868 dated 08.08.2017 issued post evaluation of fee increase proposal for academic session 2016-17, wherein, the School was given certain directions to comply before submitting the fee increase proposal for the ensuing financial year which is still pending for compliance. Because the school has challenged the aforesaid order in the Hon'ble High Court vide Writ Petition No. W.P. (C) 8553 of 2017 and the matter is sub-judice before the Hon'ble Court. Therefore, the impact of compliance or non-compliance of the direction mentioned in the aforesaid order dated 08.08.2017 has not been considered while evaluating the fee increase proposal for the academic session 2018-19.
- II. As per the condition of Land allotment letter, the School shall not increase the rate of any fee without prior sanction of the Directorate of Education and shall follow the provisions of Delhi Education Act/ Rules, 1973 and other instructions issued by this Directorate from time to time. And accordingly, The Directorate of Education sought online proposals from the Schools which were allotted land by Land owning agencies having condition of obtaining prior approval from the Directorate of Education vide Order No. F.DE-15/ACT-I/WPC-5256/16/9352/-9359 dated 16.04.2016.

Clause 9 of order No 1978 dated 16.04.2010 states, "School shall not introduce any new head of accounts or collect any fee thereof other than those permitted". And Fee/Funds collected from the parents /students shall be utilized strictly in accordance with rules 176 and 177 of the DSER – 1973.

Clause 19 of Order No. F.DE./15(56) /Act/ 2009/ 778 dated 11.02.2009 states that the Tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus etc. and all terminal benefits, as also the expenditure of revenue nature concerning curricular activities. All fee charged in excess of the amount so determined or determinable shall be refunded to the students/ parents within 15 days of the issue of this order'.

Clause 21 of Order No. F.DE./15(56) /Act/ 2009/ 778 dated 11.02.2009 states 'no annual charges shall be levied unless they are determined by the managing committee to cover all the revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school'

Clause 14 of Order No. F.DE./15(56)/Act/2009/778 dated is 11.02.2009 states "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."



Further, the Directorate of Education, vide Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999, indicated the head of Fee that recognised private unaided school can collect from the students/ parents is as under:

- Registration Fee
- Admission Fee
- Caution money
- Tuition fee
- Annual Charges
- Earmarked levies
- Development fee

Further, as per Order No.F.DE./15(56)/Act/2009/778 dated 11.02.2009 and DE 15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999, the fee and fund collected from the students can be utilised as under:

Registration Fee and Admission Fee: Registration fee of Rs. 25 per student and admission fee of Rs. 200 per student collected at the time of admission of the students are immaterial heads of income for school.

Caution Money: It is not an income of the school, but a deposit/ liability which is to be refunded at the time of students leaving the school

Tuition Fee: It is required to be determined so as to cover the standard cost of establishment including terminal benefits including expenditure of revenue nature concerning curricular activities.

Annual Charges: Annual charges are expected to cover all revenue expenditure not included in tuition fee and overhead and expenditure on playgrounds, sports equipment, cultural and other co-curricular activities as distinct from curricular activities of the school

Earmarked Levies: Earmarked levies are required to be charged from the user students only. Earmarked levies for the services rendered are to be charged on no profit no loss basis in respect of facilities provided to the user students involving additional expenditure in provision of the same.

Development Fee: It is to be treated as capital receipts and utilised towards purchase, upgradation and replacement of furniture, fixture and equipment.

Thus, based on the abovementioned provisions each head of fee has a distinct purpose and the same has to be utilised for the defined purpose. However, on examination of documents submitted by the school post personal hearing, the school explained that it has stopped the collection of "Development Fee" w.e.f. FY 2013-14 because it has limited use as per clause 14 of the order dated 11.02.2009. While on review of the fee structure submitted by the school, it has been observed that school has introduced new component in its annual charges, named as "Operational Charges" equivalent to an amount of Development Fee so that it could be utilised freely. Thus, the school has not actually stopped the collection of development fee rather it has just changed the nomenclature of its collection as "operational charges" with clear intention to utilise this collection freely as per its

discretion. Thus, the claim of the school that it has stopped the collection of development fee is not correct because the school is continuously collecting the amount of development fee from the students with different name i.e. 'Operational Charges'.

The recommendation of the Duggal Committee clearly indicates that all revenue expenditures of the school should be met either from tuition fee or from annual charges depending on nature of expense whereas the capital expenditure in the form of furniture and fixtures and equipment should be met out of the development fee and not from tuition fee.

Similar observation was also noted in the previous order no. F.DE.15(117)/PSB/2019/1882-1886 dated 22.02.2019 issued post evaluation of fee increase proposal for academic session 2017-18 which is still pending for compliance.

In view of the above, the school is hereby directed to stop collecting "Operational charges" immediately on receipt of this order. And amount already collected by the school in the form of "Operational Charges" from FY 2013-14 should either be refunded to the students or be adjusted against further fee chargeable to the students. Non-compliance with the above direction after issuance of this order shall be seriously viewed by the department while evaluating the fee increase proposal of the subsequent year.

- III. As per Rule 172 of DSER, 1973, no fee, contribution or other charge shall be collected from any student by the trust or society running any recognised school whether aided or not. Every fee, contribution or other charge collected from any student by recognised school shall be collected in its own name and a proper receipt shall be granted by the school for every such collection made by it. Further, as per Rule 175 of DSER, 1973, the accounts with regard to the school fund or the recognised unaided fund shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections of specific purposes, endowments, gifts, donations, contributions to Pupil's fund and other miscellaneous receipts.

The school has submitted that the transport facility for the school is operated by DPS – R. K. Puram and all related transport income and expense of DPS- Vasant Vihar are being included in the audited financial statements of the DPS-R. K. Puram which is not in accordance with the provisions of Rule 172 of DSER, 1973 and Rule 175 of DSER, 1973.

The school was asked to submit separate financial statement for transport department along with the complete bifurcation of transport income and expenditures pertaining to DPS- Vasant Vihar for the financial year 2017-18 and 2018-19. The school has submitted that "the fee proposal which has been uploaded for approval did not include the transport fee as that is not part of education and is being used only at the discretion of the students. Thus, a bifurcation of the transport fee is not relevant to the issue" and hence not submitted the required details. In the absence of the transport details, impact for the FY 2017-



18 and FY 2018-19 has not been taken for calculation of fund availability of the school.

Further, the plea taken by the school cannot be accepted and therefore, the school is directed to record its transport income and expenditure in its books of accounts in terms of Rule 172 and 175 of the DSER, 1973 and follow fund-based accounting as per clause 22 of the order dated 11.02.2009 and Guidance Note-21 issued by the Institute of Chartered Accountants of India in respect of transport income and recover Rs.56,56,624 from the DPS - R.K. Puram as directed in the previous year order. In case, school fails to comply with the above directions, necessary action shall be taken against the school under section 24(4) of DSEA, 1973.

IV. As per the Generally Accepted Accounting Principles, if the school is creating depreciation reserve fund, then the fixed assets should be shown at Gross Value.

Also, para 67(ii) of the aforementioned Guidance Note-21 states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

However, the school has practice of presenting its fixed assets at written down value resulting in non-compliance with the aforesaid para 67(ii) of Guidance Note-21 issued by The Institute of Chartered Accountants of India and at the same time Depreciation Reserve Fund is also representing in the financial statements which means that the school has not followed Generally Accepted Accounting Principles and accordingly, the school is hereby directed to comply with Generally Accepted Accounting Principles and Guidance Note-21 issued by The Institute of Chartered Accountants of India.

It has also been observed that the school was presenting the fixed assets (purchased out of development fund) on the face of the financial statements at written down Value (WDV) and at the same time depreciation reserve fund is also reflecting at the liability side of the financial statements. This implies that General reserve was debited twice with the amount of depreciation. First at the time of charging depreciation on fixed assets and second, at the time of creating depreciation reserve fund through appropriation accounts. Therefore, the school has created depreciation reserve fund out of the general fund.

Further, para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure upon incurrence of the expenditure the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter the concerned restricted fund account is treated as deferred income to the extent of the cost of the asset and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year." Further, Para 102 of the abovementioned Guidance Note states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:

- a. In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;



- b. Assets, such as investments, and liabilities belonging to each fund separately
- c. Restrictions, if any, on the utilization of each fund balanced
- d. Restrictions, if any, on the utilization of specific assets

Thus, creation of depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts as per clause 14 of the order dated 11.02.2009, is mere accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note-21 issued by The Institute of Chartered Accountants of India. Thus, the Depreciation Reserve Fund will not have any financial impact in the calculation of fund position of the school and accordingly, has not been considered in the calculation of fund position of the school.

Below is the summary of depreciation reserve fund which was created by the school out of general reserve/out of income and expenditure appropriation account:

(Figures in Rs.)

Particulars	As per Audited FS for FY 2015-16	As per Audited FS for FY 2016-17	As per Audited FS for FY 2017-18	Total
Depreciation Reserve Fund created through appropriation from Income & Expenditure Account	28,62,717	29,99,832	52,40,219	1,11,02,768

- V. As per Para 99 of Guidance note on "Accounting by school" issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year".

Taking the cognizance from the above para, the school should have created the 'Development Fund Utilization Account' as deferred income to the extent of cost of assets purchased out of Development Fund. And then this deferred income should be amortized in proportion to depreciation charged in revenue account. However, the school has not created Development Fund Utilization separately as required by Para 99 till date.

The similar observation was noted in order no. F.DE.15(117)/PSB/2019/1882-1886 dated 22.02.2019 issued for academic session 2017-18 wherein the school was directed to follow Para 99 of Guidance Note-21. Accordingly, the school is again directed to create Development Fund utilization account and make necessary adjustment in Development Fund account.



Details of Fixed assets purchased out of Development Fund till FY 2017-18 are as under:

(Figures in Rs.)

Particulars	As per Audited FS for FY 2016-17 (Closing balance)	As per Audited FS for FY 2017-18 (for the year)#	Total
Utilisation of Development Fund for purchase of fixed assets	2,69,53,859	69,72,157	3,39,26,016

#the school also need to take appropriate impact of sale of fixed assets (purchased out of development fund) of Rs.19,963 while deriving the balance of development fund utilization account.

VI. Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 states "Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged."

Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 state that "Earmarked levies shall be charged from the user student only."

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "Income derived from collections for specific purposes shall be spent only for such purpose."

Sub-rule 3 of Rule 177 of DSER, 1973 states "Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2)." Further, Sub-rule 4 of the said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note-21 "Accounting by Schools" issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the Guidance Note-21 lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

On review of audited financial statements submitted by the school, it has been noted that the school charges earmarked levies in the name of transport fee,

science fee, Almanac/ RFID/ ID Card/ Supervision card fee, Computer fee, Activity fee, Elect./Airconditioning, Medical Fee, Miscellaneous Fee, Mid-day Meal, Examination Fee, Hostel Fee, Other activities, Other fee- trip/tour and excursion and other activity fee – NIE/NTSS/STSC but has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income. Details of surplus generated or deficit incurred out of these earmarked levies during FY 2015-16 to 2017-18 are as under:

Particulars	Surplus/Deficit
Computer Fee	49,59,529
Other Activities Fee	67,00,012
Entrance Fee/Processing fee	21,38,500
Exam. Assignment Fee	31,77,795
House Keeping Fee	8,36,887
Magazine & Bulletin Fee	-53,342
Maintenance Fee	-1,23,44,941
Medical Fee	32,85,480
Virtual Class Room Fees	30,52,924

In view of the above, the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students of the school, a separate charge cannot be levied towards this services by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of other activities fee, entrance fee/ processing fee, exam assignment fee, house-keeping fee, medical fee, virtual class room fee, magazine & bulletin fee and maintenance fee from all the students loses its character of earmarked levy. Thus, the school is directed based on the nature of the other activities fee, entrance fee/ processing fee, exam assignment fee, house-keeping fee, medical fee, virtual class room fee, magazine & bulletin fee and maintenance fee, not to charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges. And this direction was also given to the school vide order No. F.DE.15(117)/PSB/2019/1882-1886 dated 22.02.2019 which has not been complied with by the school till date. Accordingly, the school is again directed not to charge Almanac/ RFID/ ID Card/ Supervision card fee, Activity fee, Elect./Airconditioning, Medical Fee, Miscellaneous Fee, Examination Fee and PTA as earmarked fee with immediate effect. Failure to comply with this order shall be dealt in accordance with the provisions of section 24(4) of DSEA, 1973.

The school is also directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from the students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for

earmarked levies in the subsequent proposal of fee increase by ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

VII. As per AS-15 'Employee Benefit' issued by ICAI. "An entity should determine the present value of defined benefit obligations and their fair value of any plan asset so that the amounts recognised in the financial statement do not differ materially from the amounts that would be determine at the balance sheet date.

Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "Plan assets comprise:

- a) assets held by a long-term employee benefit fund; and
- b) qualifying insurance policies."

The financial statements of the school revealed Rs. 7,05,50,827 towards provision for gratuity and Rs. 1,95,82,675 towards provision for leave encashment as on 31.03.2018 based on the actuarial valuation report. However, the school has not deposited any amount with LIC (or any other agency) as instructed by the Directorate's vide DOE order No. F.DE-15/Act-I/WPC-4109/Part/13/868 dated 08.08.2017 issued by the Directorate of Education post evaluation of fee increase proposal for academic session 2016-17 and order No. F.DE.15(117)/PSB/2019 /1882-1886 dated 22.02.2019 issued post evaluation of fee increase proposal for academic session 2017-18.

The school is again directed to make investment that qualify as 'Plan Assets', equivalent to total liability determined by the actuary, within 30 days from the date of issue of this order. Non-compliance with this direction will be viewed seriously while evaluating the fee increase proposal for the subsequent financial year. Accordingly, Actual payment made by the school towards gratuity and leave encashment during the financial year 2018-19 has been considered while evaluating the fund position of the school.

Below are the details of amount of gratuity and leave encashment not considered while deriving the fund position of the school for FY 2018-19:

(Figures in Rs.)

Particulars	Provision for Gratuity	Provision for Leave encashment
Balance as on 31.03.2018	7,05,50,827	1,95,82,675
Add: Provision made during FY 2018-19	71,79,516	28,52,398
Less: Balance as on 31.03.2019	7,67,09,074	2,15,19,310
Gratuity paid	10,21,269	9,15,763
Provisions not considered while deriving the fund position of the school	61,58,247	19,36,635

1. Clause 7 of Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15 Dec 1999 states "development fee, not exceeding 15% of the total annual tuition fees may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged shall be treated as capital receipt and shall be collected only if the school is maintaining depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts and the collections under this head along with income generated from the investment made out of this fund, will be kept separately maintained development fund account". This clause was upheld by the Supreme Court in the matter of Modern School vs Union of India & Ors through its judgement dated 27 April 2004 and was also reiterated by the Directorate in Clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

Also, Rule 177 of DSER, 1973 states "Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that, savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run

Further, the aforesaid savings shall be arrived at after providing for the following, namely:

- a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
- b) The needed expansion of the school or any expenditure of a developmental nature;
- c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
- d) Co-curricular activities of the students;
- e) Reasonable reserve fund, not being less than ten percent, of such savings.

Further, as per clause 8 of order dated 15.12.1999, fees/ funds collected from the parents/ students shall be utilised strictly in accordance with rules 176 and 177 of DSER, 1973. No amount whatsoever shall be transferred from the recognised unaided school fund of school to the society or trust or any other institution.

However, on review of audited financial statements, it has been noted that the school has transferred Rs.3,00,00,000 during financial year 2017-18 out of development fund to purchase capital items for building up Human Resources Development Centre (HRD Centre). Accordingly, the above transfer was not in accordance with above-mentioned provisions. In this regard the school had submitted a legal opinion to substantiate the validity of such transfer.

It is quite surprising to mention here that on the one hand, the school has been submitting online fee increase proposal from financial year 2016-17 to the Director (Education) seeking increase in fee on the grounds that school do not have

sufficient funds even to pay salaries to its staff. On the other hand, the school has transferred Rs. 3,00,00,000 to build Human Resources Development Centre (HRD Centre) before making all the payments as per provisions of Rule 177 of DSER, 1973. This clearly depicts that the school is intentionally diverting the school funds so that it could exhaust all its surplus accumulated by the school over the year then it could get the fee increase from the Director (education). This is clear example of profiteering and commercialisation of education.

The Hon'ble Supreme Court in its Judgement dated 02.05.2016 in the matter of Modern Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India] held that education is a noble profession. It emphasized that the commercialization and exploitation is not permissible in the education sector and institutions must run on 'no-profit-no-loss' basis". The Hon'ble Supreme Court categorically held that "Though education is now treated as an 'occupation' and thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble". Therefore, profiteering and commercialization are not permitted.

Accordingly, the above transfer of Rs.3,00,00,000 is recoverable from the society and therefore, has been included in the calculation of fund availability of the school with the direction to the school to recover this amount from society within 30 days from the date of issue of this order and to pass the necessary adjustment entries in the development fund account.

Moreover, as per the response submitted by the school, out of the total recoverable amount of Rs,5,83,80,072, school has recovered Rs.4,63,01,366 from DPS- R.K Puram in FY 2017-18. On review of ledger account of DPS- R.K Puram submitted by the school, it is noted that the school has passed various adjustment entries for Rs.4,63,01,366 (including Rs.3,00,00,000 as mentioned above) against the receivable balance from DPS- RK Puram. Further, the above amount is being shown as amount received in the receipt and payment account. Therefore, it is evident from the above that the receipt and payment account is not made as per the Generally Accepted Accounting Principle as there was no actual receipt but still school has shown the above amount in the receipt and payment account. Hence, school is directed to prepare its receipt and payment account as per the generally accepted accounting principles and account for only the actual inflows and outflows while preparing the same.

B. Other Discrepancies

- I. As per Right to Education act, pupil teacher ratio for primary classes and upper primary classes should be 30: 1 and 35:1 respectively. Also, as per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), the student's teacher ratio should not exceed 30:1 and section teacher ratio must be 1:1.5 excluding principal, physical education teacher and counsellor to teach various subjects.

The information collected from the school relating to total number of students and teachers has been tabulated below:.

Particulars	FY 2016-17	FY 2017-18
Total Number of Students (A)	1500	1502
Number of Teacher excluding Coach (B)	89	93
Students to teacher ratio (A/B)	16.85	16.15

From the above calculation, it has been observed that there is one teacher on every 16 or 17 students which is much higher than the standard prescribed by the CBSE and RTE Act. Hence, it seems that there is overstaffing of teaching staff in the school. Therefore, the school management is required look into this aspect and try to establish an equilibrium, without compromising the standard of education, between the standard prescribed by the CBSE and the existing student teacher ratio.

- II. As per Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states *"No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."*

However, on review of audited financial statement for the FY 2015-16 to 2018-19, it has been observed that the school is being refunding only the principal amount of caution money without any interest thereon to the students, which is a contravention of clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009.

Further, as per Clause 4 of Order No. DE./15/150/ACT/2010/4854-69 dated 09.09.2010, after the expiry of 30 days, the un-refunded caution money belonging to ex-students shall be reflected as income for the next financial year and it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing academic year. However, on review of Audited Financial Statements of FY 2018-19 submitted by the school, it has been noted that the school has not considered the un-refunded caution money as income of FY 2018-19. In the absence of available information, the amount of un-refundable caution money belonging to ex-students which could have been treated as income and the correct balance of caution money cannot be determined. Therefore, the school is directed to determine caution money which is refundable to the students as on the balance sheet date and account for unclaimed caution money belonging to ex-students as income while projecting the fee increase proposal of the subsequent year.

- III. The physical verification of fixed assets is normally conducted to confirm certain criteria's like existence, quantity and condition of the fixed assets. The physical verification report submitted by the school does not specify about the condition of the assets like whether the particular asset is obsolete/damaged. No observation/recommendation has been observed/suggested by the teacher in its report. Therefore, the school is required to strengthen the physical verification mechanism.

- IV. As per sub-section (1) of section 13 of Right to Education Act, 2009, no school or person shall while admitting a child, collect any capitation fee.

On review of fee structure of the school, it has been observed that the school is collecting one-time charges of Rs.15,000, Rs.3,500 and Rs.1,500 in the name of "Management Fund", "Processing charges" and "Medical check-up on admission" respectively at the time of admission from the new student. This type of collection by the school from the student clearly tantamount as capitation fee.

Similar observation was also noted in order no. F.DE.15(117)/PSB/2019/1882-1886 dated 22.02.2019 issued by the Directorate of Education in which the school was directed to stop the collection of Management fund, Processing Charges and Medical Check-ups. However, the school has not complied with the fee increase order dated 22.02.2019. Therefore, school is once again directed to stop collection of capitation fee in the name of Management fund, Processing Charges and Medical Check-ups.

After detailed examination of all the material on record and considering the clarification submitted by the School, it was finally evaluated/ concluded that:

- i. The total funds available for the FY 2018-19 amounting to Rs. **30,42,58,311** out of which cash outflow in the FY 2018-19 is estimated to be Rs. **15,32,76,575**. This results in net balance of Surplus amounting to Rs. **15,09,81,736** for FY 2018-19 after all payments. The details are as follows:

(Figures in Rs.)

Particulars	Amount
Cash and Bank balances as on 31.03.18 (as per audited Financial Statements of FY 2017-18)	1,04,53,956
Investments as on 31.03.18 (as per audited Financial Statements of FY 2017-18)	15,37,97,290
Total Liquid Funds Available with the School as on 31 Mar 2018	16,42,51,246
Add: Fees and other incomes for FY 2018-19 based on audited financial statements of FY 2018-19 of the school	10,52,44,542
Add: Surplus of transport facility not reported (Refer Financial Discrepancies No. III)	56,56,624
Add: Recovery from Society of amount spent out of development fund on purchase of capital items to build up Human Resource Development Centre (Refer Financial Discrepancies No. VIII)	3,00,00,000
Gross Available Funds for FY 2018-19	30,51,52,412
Less: Fixed Deposit with Bank in the joint name of Secretary CBSE and Manager, Delhi Public School	-
Less: Fixed Deposit with Bank in the joint name of DDE and Manager, Delhi Public School	-
Less: Caution money as on 31.03.2018	8,94,101
Net Available Funds for FY 2018-19	30,42,58,311

Particulars	Amount
Less: Actual expenses for FY 2018-19 (as per audited Financial Statements of FY 2018-19) (Refer Note 1)	15,32,76,575
Net Surplus	15,09,81,736

Note 1: As per the response submitted by the school during hearing, the school has implemented 7th CPC in October 2016 w.e.f. 01-01-2016 and accordingly, the expenses shown in the above calculation is inclusive of 7th CPC impact.

- ii. The School has sufficient funds to carry on the operation of the School for the academic session 2018-19 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16/04/2010 that,

“All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.”

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other discrepancies, that the sufficient funds are available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17(3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-19.

Accordingly, it is hereby conveyed that the proposal of fee increase of **Delhi Public School, Vasant Vihar, New Delhi (School Id: 1719111)** is rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2018-19 and if the fee is already increased and charged for the academic session 2018-19, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.

3. To rectify all the financial and other discrepancies/violations as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other discrepancies/violations will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This is issued with the prior approval of the Competent Authority.



(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Delhi Public School (School Id: 1719111)
Vasant Vihar, New Delhi
No. F.DE.15 (156)/PSB/2021/2993-97

Dated: 16/08/21

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE concerned ensure the compliance of the above order by the school management
4. Guard file.



(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi